



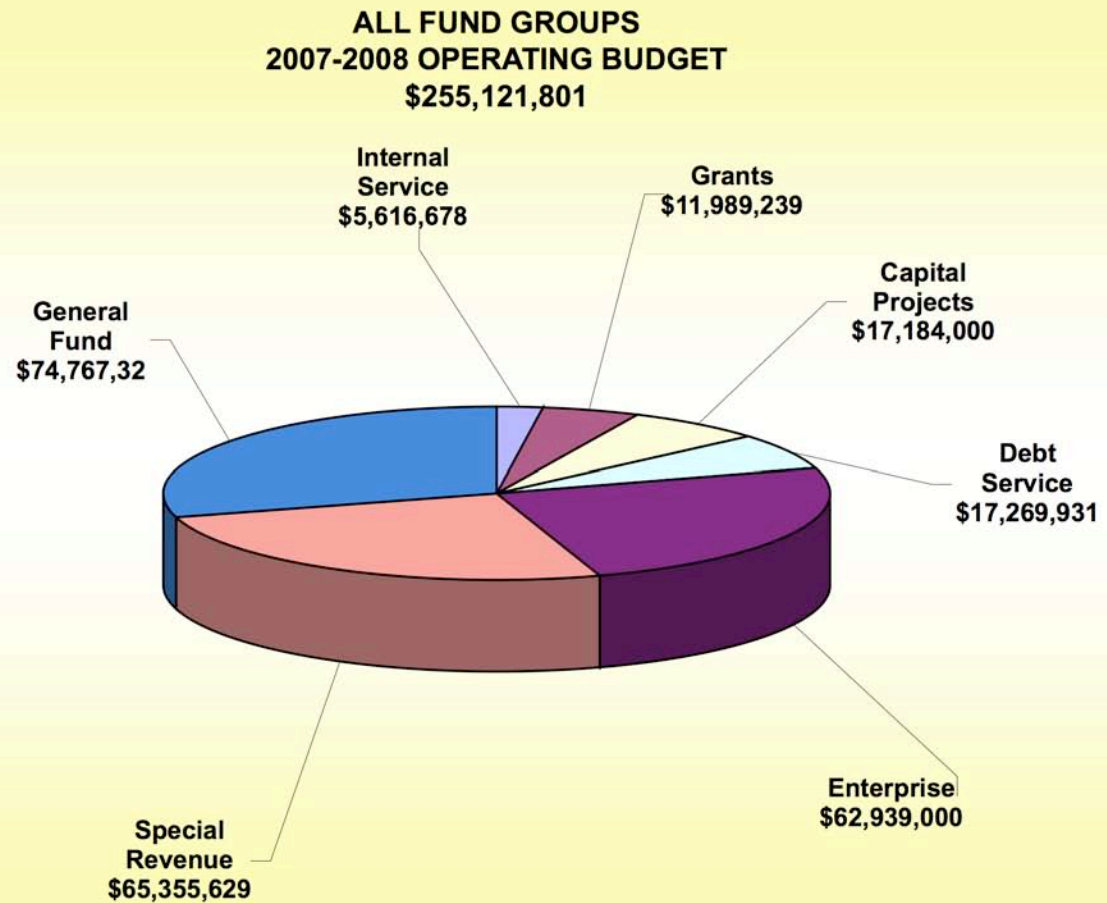
City Council Workshop

Budget Briefing

March 17, 2008



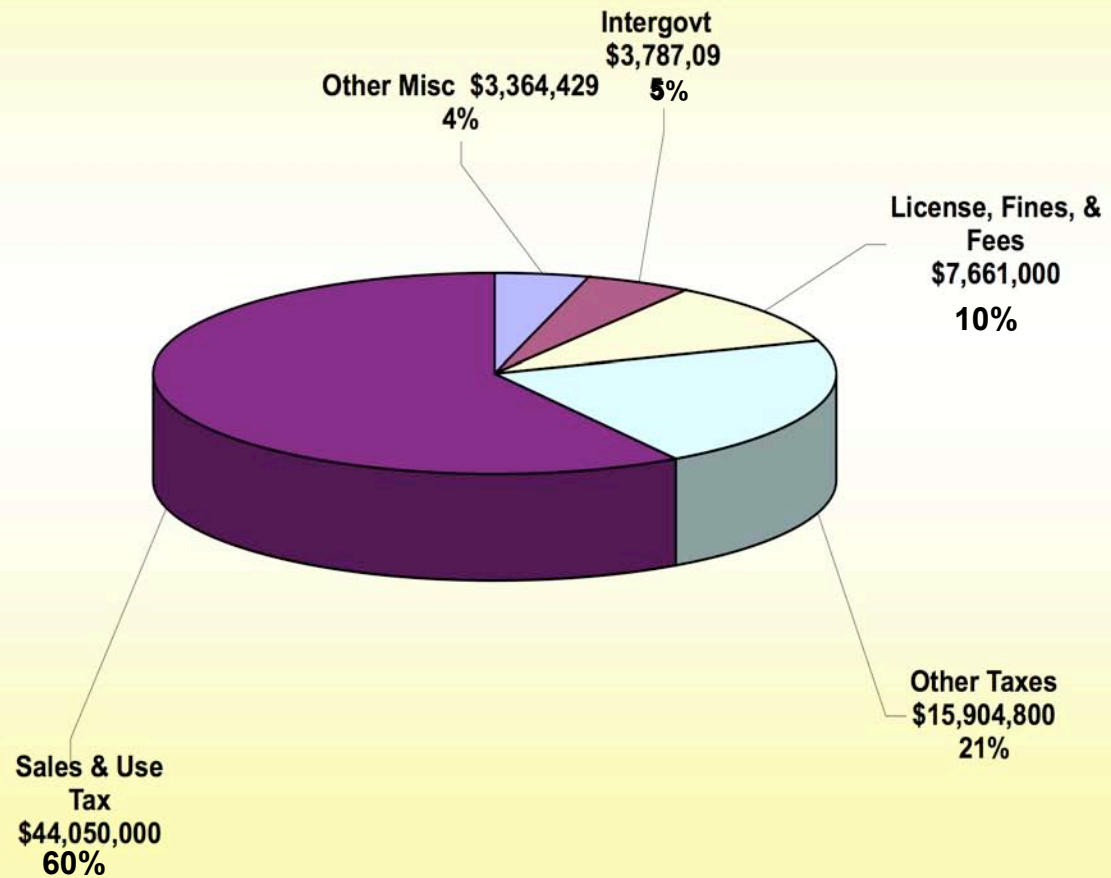
Operating Budget Revenue Sources





General Fund Revenue Sources

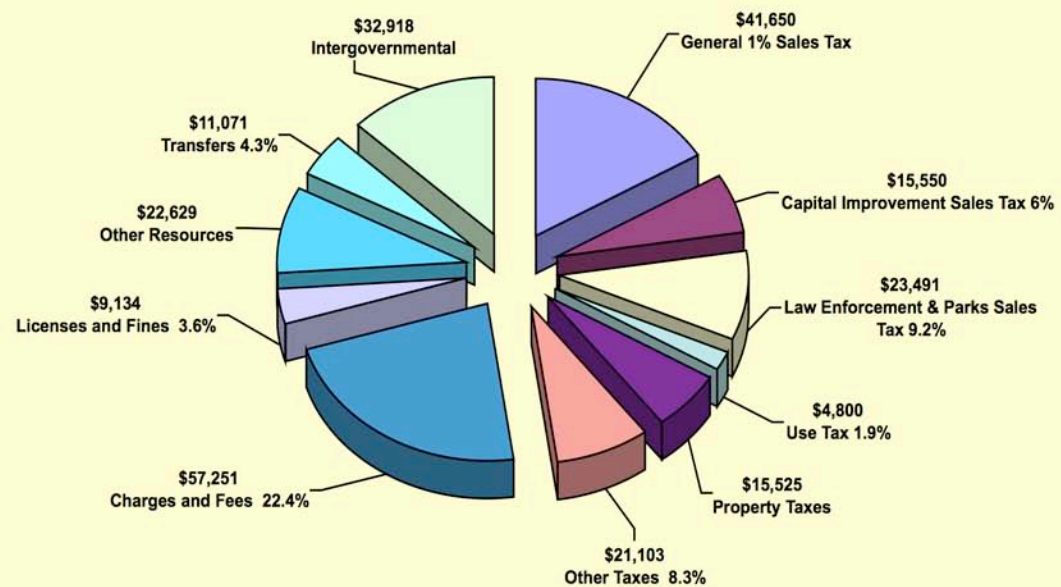
**GENERAL FUND
2007-2008 OPERATING BUDGET REVENUE**





1% General Sales Tax as percentage of overall City budget

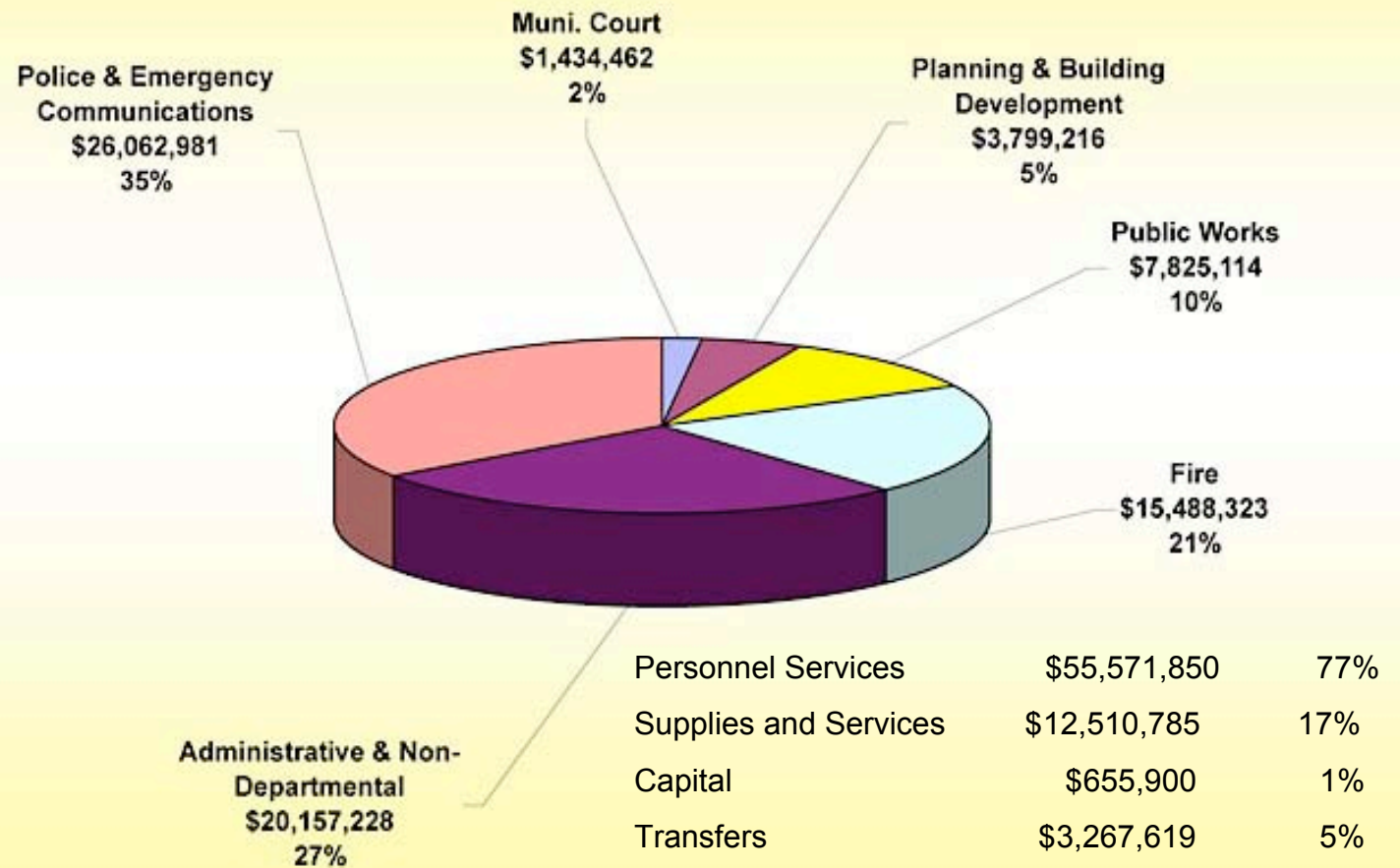
2007-2008 OPERATING BUDGET RESOURCES - \$255,122,000 All Fund Groups





General Fund Appropriations

GENERAL FUND 2007-2008 OPERATING BUDGET APPROPRIATIONS





2007-08 General Fund Budget Revenue Estimates

1 percent General Sales Tax

- March 2008: Actual revenue is 0.66 percent below same period last year.
- 2007-08 Budget: 3 percent growth

Gross Receipts Tax

- Currently 100 percent above 2006-07
- Key factor is gain from cell phone revenue; back taxes portion is one-time revenue.

Other Revenue Sources

- Actual revenue close to estimates



Missouri Sales Tax Revenue Comparison

- Statewide, Missouri sales tax revenue down 4.7 percent in Jan. 2008, compared to Jan. 2007.
- Statewide, Missouri sales tax revenue down 1.7 percent for three months ending Jan. 2008, compared to same period last year.
- State revenue growth coming from higher income tax collections.



2007-08 Budget Wrap-Up

- Balanced Budget required by Charter.
- Expect combined revenue sources to meet budget.
- If final revenue shortfall is anticipated closer to June 30, 2008, City can tighten spending or use 10 percent reserve fund to close out a balanced budget.
- City Council goal is to maintain reserves of 8-10 percent for budget or emergency needs. City Reserve Fund restored to 10 percent level following 2007 ice storm expenses.



2008-09 Budget Process

- Budget projections remain at the same level budgeted for 2007-08 - essentially projecting no growth in 2008-09 from the 2007-08 budget.
 - Economic upturn projected during the next fiscal year.
- Flat budget expected to balance at current level of personnel, supplies/services.
- No revenue for new spending on additional personnel, pay or benefit increases.

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Police/Fire Pension Charter Requirements

City cannot reduce actual benefits
under the plan for existing employees
without a public vote.



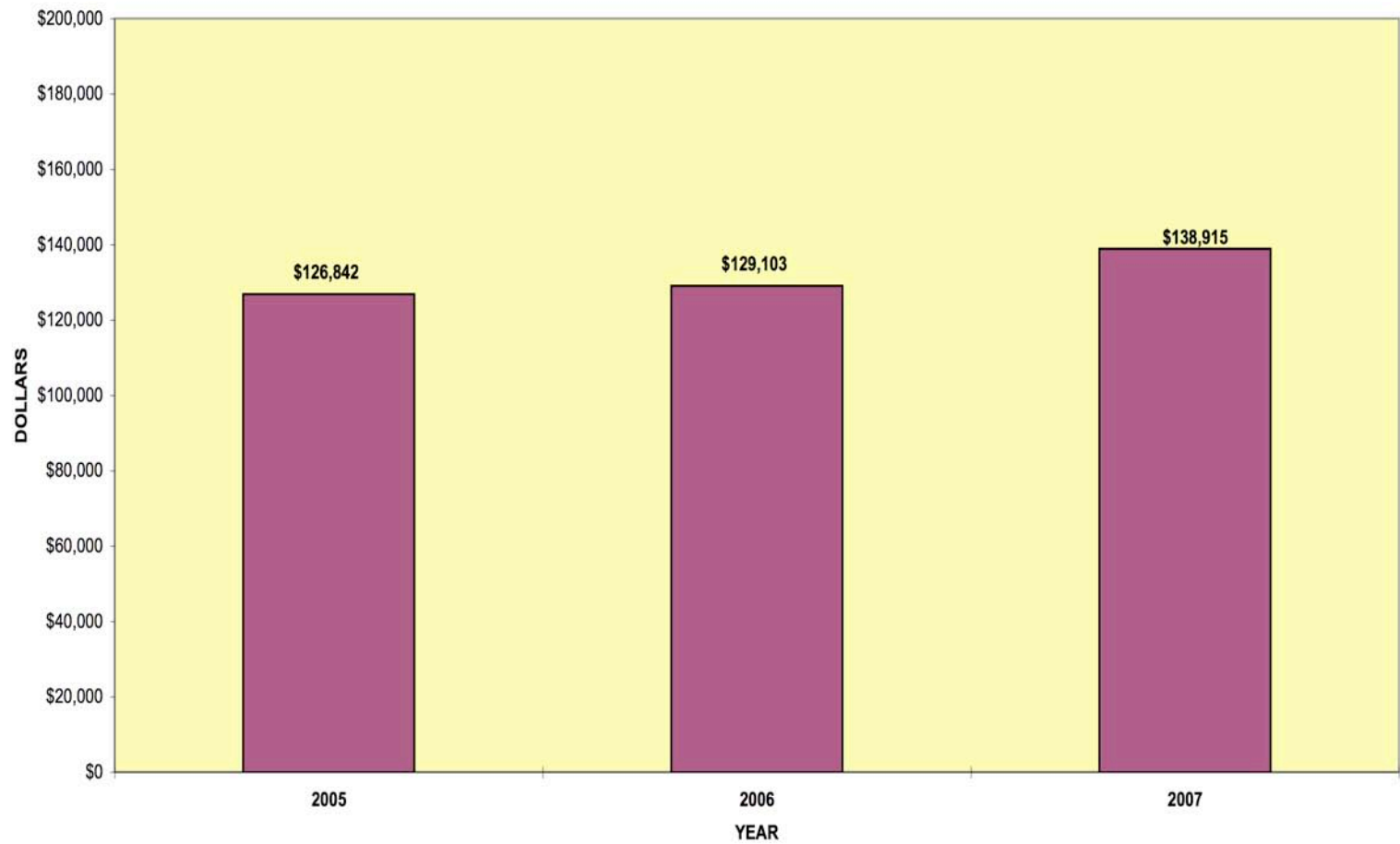
Police/Fire Pension Changes

In 2006, City Council approved series of changes to Police/Fire Pension System:

- Evaluate and improve Plan's Investment Performance.
- Increase contribution rate to 28.88 percent of P/F payroll, from 23.88 percent in 2005.
- Additional contributions of \$500,000 in 2007-08 budget and \$500,000 from Sprint-Nextel settlement.
- Fix demographic issues (capping vacation, holiday accumulation) for current P/F employees.
- New hires after June 1, 2006 have a different benefit plan.
- Council made all possible changes to plan without decreasing benefits to current employees, as required by City Charter.



PENSION ASSETS



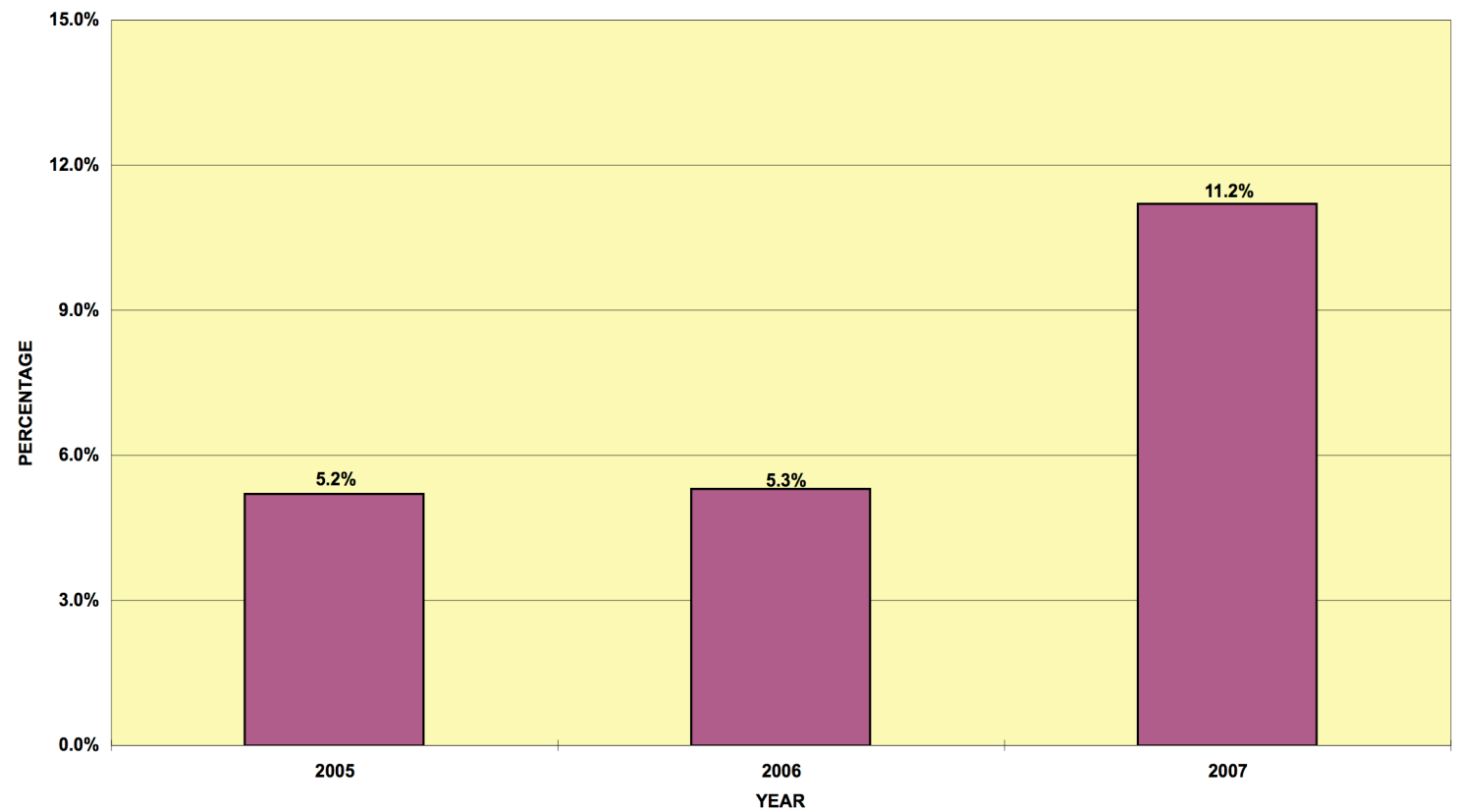


Results of Pension Changes

- Return on investments increased to 11.2 percent in first year (2007).
- Investment fees reduced 30 percent in first year.
- Funded ratio still declined slightly, from 50.6 percent to 50.0 percent.
- Changes made improvements in plan, but not enough to increase funded ratio to healthy level.



ACTUARIAL RATE OF RETURN





Police/Fire Actuary Recommendations

- Contribution rate should be increased to 50.21 percent of P/F payroll.
- For 2008-09 budget, that would be approximately \$12.5 million.
- That creates gap of \$5.2 million.
(\$12.5 million less \$7.3 million City currently paying into system.)
- Problem grows annually because of pay increases, COLA, Police retention, percentage of active officers to retirees decreasing.



New State Law

- General Assembly voted in 2007 to require Missouri cities to make actuarial contribution in one of five years or have 25 percent of all revenue funneled through the State withheld by the State.
- 2008 is first year of five-year period.
- Making full contribution will get more expensive in successive years.



How to Close the Gap?

1) Decrease Expenses

- General Fund revenue: A 7 percent decrease in personnel and supplies/services would raise about \$5.2 million a year.
- General Fund could not sustain ongoing budget reduction of that size without severely affecting basic General Fund government services, including Police, Fire, Public Works, Building Development Services, Human Resources, non-departmental and other General Fund areas.



Police/Fire Pension Issue

- City Departments asked to provide budget exercise of 7 percent reduction for 2008-09 budget in combination of supplies/services and personnel to address P/F pension funding issue.
- If necessary, any proposed personnel reductions would be made first through attrition.



How to Close the Gap?

2) Increase Revenue

- State of Missouri gave cities new authority to ask for up to 1 percent sales tax for public safety needs.
- City of St. Louis received approval in February for 1/2-cent sales tax increase, which will raise \$18 million a year - \$11 million going into P/F Pension Fund.



Budget Timetable

- March 2008: City Council will hold budget workshops; additional scheduled as needed.
- May or June, 2008: 2008-09 budget goes to City Council for 1st and 2nd readings.
- July 1, 2008: New budget year begins.

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Discussion